

MOST-FAVORED-NATION TREATMENT FOR AREAS UNDER OCCUPATION OR CONTROL

Exchange of notes at Reykjavik July 3, 1948

Entered into force July 3, 1948

Expired in accordance with its terms

62 Stat. 2903; Treaties and Other
International Acts Series 1827

The American Minister to the Minister of Foreign Affairs

AMERICAN LEGATION

REYKJAVIK, ICELAND

July 3, 1948

No. 78

EXCELLENCY:

I have the honor to refer to the conversations which have recently taken place between representatives of our two Governments relating to the territorial application of commercial arrangements between the United States of America and Iceland and to confirm the understanding reached as a result of these conversations as follows:

1. For such time as the Government of the United States of America participates in the occupation or control of any areas in western Germany, the Free Territory of Trieste, Japan or southern Korea, the Government of Iceland will apply to the merchandise trade of such area the provisions relating to the most-favored-nation treatment of the merchandise trade of the United States of America set forth in the Trade Agreement between the United States of America and Iceland signed August 27, 1943,¹ or, for such time as the Governments of the United States of America and Iceland may both be contracting parties to the General Agreement on Tariffs and Trade, dated October 30, 1947,² the provisions of that Agreement, as now or hereafter amended, relating to the most-favored-nation treatment of such trade. It is understood that the undertaking in this paragraph relating to the application of the most-favored-nation provisions of the Trade Agreement signed August 27, 1943, shall be subject to the exceptions recognized in the General Agreement on Tariffs and Trade permitting departures from the application

¹ EAS 342, *ante*, p. 1170.

² TIAS 1700, *ante*, vol. 4, p. 641.

of most-favored-nation treatment; provided that nothing in this sentence shall be construed to require compliance with the procedures specified in the General Agreement with regard to the application of such exceptions.

2. The undertaking in point 1, above, will apply to the merchandise trade of any area referred to therein only for such time and to such extent as such area accords reciprocal most-favored-nation treatment to the merchandise trade of Iceland.

3. The undertakings in points 1 and 2, above, are entered into in the light of the absence at the present time of effective or significant tariff barriers to imports into the areas herein concerned. In the event that such tariff barriers are imposed, it is understood that such undertakings shall be without prejudice to the application of the principles set forth in the Havana Charter for an International Trade Organization³ relating to the reduction of tariffs on a mutually advantageous basis.

4. It is recognized that the absence of a uniform rate of exchange for the currency of the areas in western Germany, Japan or southern Korea referred to in point 1 above may have the effect of indirectly subsidizing the exports of such areas to an extent which it would be difficult to calculate exactly. So long as such a condition exists, and if consultation with the Government of the United States of America fails to reach an agreed solution to the problem, it is understood that it would not be inconsistent with the undertaking in point 1 for the Government of Iceland to levy a countervailing duty on imports of such goods equivalent to the estimated amount of such subsidization, where the Government of Iceland determines that the subsidization is such as to cause or threaten material injury to an established domestic industry or is such as to prevent or materially retard the establishment of a domestic industry.

5. The undertakings in this note shall remain in force until January 1, 1951, and unless at least six months before January 1, 1951, either Government shall have given notice in writing to the other of intention to terminate these undertakings on that date, they shall remain in force thereafter until the expiration of six months from the date on which such notice shall have been given.

Accept, Excellency, the renewed assurances of my highest consideration.

RICHARD P. BUTRICK

His Excellency

BJARNI BENEDIKTSSON,

Minister for Foreign Affairs,

Reykjavik.

³ Unperfected; for excerpts, see *A Decade of American Foreign Policy: Basic Documents 1941-49* (S. Doc. 123, 81st Cong., 1st sess.), p. 391.

The Minister of Foreign Affairs to the American Minister

[TRANSLATION]

MINISTRY OF FOREIGN AFFAIRS

REYKJAVIK

July 3, 1948

MR. MINISTER:

I take the liberty of referring to the conversations which have recently taken place between representatives of our two Governments, relating to the territories to which the commercial agreements between Iceland and the United States of America shall apply, and to confirm that as a result of these conversations an understanding has been reached, as follows:

[For terms of understanding, see numbered paragraphs in U.S. note, above.]

I take the liberty, Mr. Minister, of expressing to you my special consideration.

BJARNI BENEDIKTSSON

Minister RICHARD P. BUTRICK,
*American Legation,
Reykjavik.*